



Request for City Council Committee Action from the Department of Neighborhood and Community Relations

Date: December 26th, 2014

To: Council Member Cam Gordon, Chair, Health, Environment and Community Engagement Committee

Referral to: None

Subject: 2015 NCR Audit and Financial Review Schedule for Neighborhood Organizations

Recommendation: Receive and File

Previous Directives: None

Department Information

Prepared by: David M Rubedor, Director, Neighborhood and Community Relations Department

Approved by: Spencer Cronk, City Coordinator

Presenters in Committee: David M Rubedor, Director, Neighborhood and Relations Department

Reviews: Not Applicable

Financial Impact: Not Applicable

Supporting Information

The Neighborhood and Community Relations department conducts audits and other financial reviews as part of its support services to neighborhood organizations. It is the department's operating goal of reviewing a minimum of 1/3 (23) of the City's 70 neighborhood organizations each year. Some neighborhoods, because of their size and funding level, will be receiving some type of financial review every year.

In order to provide transparency and to demystify the audit/financial review oversight by the department, the 2015 Audit and Financial Review Schedule will be published on-line and sent out to all neighborhood organizations.

A risk assessment is used to develop the annual audit schedule. This assessment includes factors such as amount of funds received, turnover in staff and board, issues with financial reporting and reimbursement requests, policy or by-law

concerns and other potential audit issues. In addition to these risks, it is recognized some neighborhoods have issues that may be best addressed with financial management training and sharing best practices.

In 2014, the department changed its auditing contractors and established an Audit Panel. Neighborhoods and NCR staff work together to select one of the four audit firms: Clifton Larson, Barry Rogers, Mike Wilson and ABDO, EICK & MEYERS, LLP.

The Department's financial reviews include four levels of reviews:

1. Audit

Audits are performed in accordance with generally accepted auditing standards and are conducted in accordance with the requirements of all applicable federal, state and local laws and regulations. Audits include tests of the accounting records and other procedures considered necessary in order to express an opinion concerning the recipient's financial statements, evaluate the recipient's internal control structure and its compliance with NRP and CPP contracts, and correlate expenditures against their planned use to ensure that NRP funds are being used for the scope of services for which they were approved.

The auditor determines whether: 1) the financial statements fairly present the recipient's financial position and the results of its financial operations, 2) the recipient's internal accounting and other control structures provide reasonable assurance that it is managing its funds in compliance with applicable laws, regulations, and contractual obligations, and 3) the recipient has complied with the terms and scopes of service of its NRP or CPP contracts and with any laws and regulations that may have a direct and material effect on its financial statements and that apply to each NRP or CPP contract.

2. Financial Review

Financial reviews involve specific procedures that are agreed upon in advance by NCR, the auditor, and the neighborhood organization. These procedures may include an evaluation of the recipient's accounting practices, limited review of ledgers and source documents, and examination of procedures and records used to demonstrate compliance with City contracts.

3. Agreed Upon Procedure

Agreed Upon Procedures is a review by the auditor of specific procedures and practices that are identified and agreed upon in advance of the engagement. The may include some level of financial review, but primarily focus on specific governance, internal controls, contract reporting, and policy issues.

The department has recently increased our use of the Agreed Upon Procedure (AUP) tool recently as it helps to focus more on governance and policy considerations and practices, which is where most financial or operational issues of neighborhood organizations exists. Using AUP is a more effective way at addressing most neighborhood organizations concerns. It is also considerably less expensive than an audit and allows the department to reach more organizations with existing resources.

4. Financial Operations Review (new tool in 2015)

A Financial Operations Review is a new, informal, and proactive check-in with funded organizations to review how they are doing, give them feedback and an "accounting grade." With some groups in transition, it may also include assisting them through the transition to help ensure nothing gets dropped. A financial review may vary considerably from organization to organization.

2015 NCR Audit and Financial Review Schedule for Neighborhood Organizations.

The department has identified 31 neighborhood organizations to receive one of the four financial review tools identified. This schedule is subject to change with the addition of more neighborhood organizations if extenuating circumstances arise or come to the department's attention.

Audits: Two (2) neighborhood organizations have been scheduled for an audit in 2015.

1. Lyndale Neighborhood Association
2. Seward Neighborhood Group

Financial Review: Seven (7) neighborhood organizations have been scheduled for a financial review in 2015:

1. Northside Residents Redevelopment Council
2. Elliot Park Neighborhood, Inc.
3. Longfellow Community Council
4. Hawthorne Neighborhood Council
5. Marcy-Holmes Neighborhood Association
6. Powderhorn Park Neighborhood Association
7. Standish Ericson Neighborhood Association

Agreed Upon Procedures: Eight (8) neighborhood organizations have been scheduled for an Agreed Upon Procedure in 2015:

1. Central Area Neighborhood Development Organization
2. Folwell Neighborhood Association
3. Harrison Neighborhood Association
4. Midtown Phillips Neighborhood Association
5. Beltrami Neighborhood Council
6. Bottineau Neighborhood Association
7. Kingfield Neighborhood Association
8. Stevens Square Community Organization
9. Calhoun Area Residents Action Group

Financial Operations Review: Thirteen (13) neighborhood organizations have been scheduled for a Financial Operations Review in 2015:

1. Bryn Mawr Neighborhood Association
2. Columbia Park Neighborhood Association

3. Downtown Minneapolis Neighborhood Association
4. East Isle Residents Association
5. Heritage Park Neighborhood Association
6. Lind-Bohanon Neighborhood Association
7. Lowry Hill Neighborhood Association
8. Lowry Hill East Neighborhood Association
9. McKinley Community
10. Nokomis East Neighborhood Association
11. Audubon Neighborhood Association
12. East Calhoun Community Organization
13. Linden Hills Neighborhood Council

The auditors will also be assisting neighborhoods as necessary and requested with annual filings (990, Attorney General annual report, Annual filing with Secretary of State).